

Message Text

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ACTION IO-14

INFO OCT-01 ISO-00 ACDA-19 CIAE-00 INR-10 L-03 NSAE-00

NSC-10 RSC-01 SCI-06 SCEM-02 OMB-01 PA-03 PRS-01

USIA-15 DRC-01 ABF-01 TRSE-00 AF-10 ARA-16 EA-11

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FM USMISSION IAEA VIENNA

TO SECSTATE WASHDC PRIORITY 3342

INFO AEC GERMANTOWN

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E. O. 11652: N/A

TAGS: AORG AFIN IAEA

SUBJECT: IAEA 1974 BUDGET

REF: A. IAEA VIENNA 7254

B. IAEA VIENNA 7252

C. STATE 83988

1. SUMMARY: DG NOW INTENDS ABANDON SPECIAL ACCOUNT AND RECOMMEND COMPENSTATION FOR CURRENCY PROBLEM BY INCREASE IN APPROPRIATION FOR 1974 REGULAR BUDGET. OTHER DEVELOPED COUNTRIES APPEAR ABLE ACCEPT THIS. LDC'S APPEAR UNHAPPY BUT CONCERTED ATTACK ON BUDGET HAS NOT YET EMERGED. ACTION REQUESTED: SEE PARA 9 BELOW. END SUMMARY.

2. SUBSEQUENT REF A, HALL CONSULTED FURTHER WITH US, INDIANS AND FRG. SPECIAL ACCOUNT PROPOSAL APPARENTLY WAS AMALGAM OF IDEAS ORIGINALLY THROWN OUT BY LATTER TWO RESREPS ON PERSONAL BASIS, BUT LATER INDIANS ADVISED HALL AND US THAT SPECIAL ACCOUNT NOT RPT NOT NECESSARY TO SATISFY THEIR CONCERNS REGARDING INTERNAL GOI APPROPRIATIONS PROCEDURE AND FRG AUTHORITIES PREFERRED STRAIGHT INCREASE IN APPROPRIATION. NEW PAPER

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FOR BOARD AND GC NOW BEING PREPARED IN SECRATARIAT TO RECOMMEND

FOLLOWING COURSE TO DEAL WITH EFFECTS OF CURRENCY FLUCTUATIONS SINCE JUNE ON 1974 REGULAR BUDGET.

3. INCREASE IN APPROPRIATIONS SECTION 9 (CONTINGENT FINANCING) IN ADDITION AMOUNT APPROVED AT \$2.1-MILLION BY JUNE BOARD, WILL BE RECOMMENDED IN AMOUNT \$2.5-MILLION, DUE TO DROP IN VALUE OF US DOLLAR FROM 21.0 AUSTRIAN SCHILLINGS IN JUNE TO 18.0 IN SEPTEMBER (PER GC(XVII)/508, AMOUNT SHOULD PROBABLY BE ABOUT \$200,000 MORE, BUT SECRETARIAT PREPARED TO LIVE WITH \$2.5-MILLION ON EXPECTATION THAT 18.0 RATE WILL BE CONSERVATIVE ESTIMATE OF PROBABLE 1974 ANNUAL AVERAGE). BOARD WOULD AMEND USUAL APPROPRIATION/ASSESSMENT RES RECOMMENDED TO GC (ANNEX V.A OF BUDGET DOCUMENT) TO ADD SUBSECTION (B) UNDER SECTION 9, AND INCREASE AMOUNT TO BE ASSESSED ON MEMBERS IN PARA 2 OF RES BY SAME AMOUNT. DG WILL ALSO RECOMMEND AMENDMENT OF PARA A.14 OF INTRODUCTION TO EXPLAIN CHANGE, AND BOARD WOULD PRESENT IN FORM OF REPORT TO GC. PROVISION FOR PRIOR BOARD APPROVAL OF USE ANY FUNDS IN SECTION 9, WHICH APPLIED TO \$2.1-MILLION APPROVED IN JUNE, WOULD STAND UNCHANGED AND APPLY ALSO TO ADD-ON OF FURTHER \$2.5-MILLION. FYI: ALTHOUGH IT MIGHT HAVE BEEN SIMPLER TO INCREASE AMOUNT OF SECTION 9 FROM \$2.1-MILLION TO \$4.6-MILLION, THIS WAS AVOIDED FOR OPTICAL REASONS, SINCE COMBINED ITEM WOULD BE LARGEST SINGLE APPROPRIATION SECTION IN 1974 BUDGET. END FYI.

4. INDIAN PERMREP FELT THAT SOME MEMBERS MIGHT OBJECT TO ACTUALLY PAYING OVER THEIR SHARES OF INCREASE OF THIS MAGNITUDE BEFORE THERE WAS CERTAINTY THAT IT WOULD BE USED. HOWEVER, ADMINISTRATIVE PROCEDURES USED IN BILLING AND COLLECTING ASSESSED CONTRIBUTIONS HAVE ALWAYS ACCORDED GD CONSIDERABLE FLEXIBILITY. IF PRESSED ON THIS POINT, DG WILL BE PREPARED TO STATE THAT HE WILLING TO UTILIZE SUCH PROCEDURAL FLEXIBILITY TO ACCOMMODATE ANY MEMBER WISHING TO SCHEDULE PAYMENT OF ITS SHARE OF SECTION 9 APPROPRIATIONS SUBSEQUENT TO BOARD ACTION APPROVING USE OF FUNDS, SO LONG AS REMAINDER OF MEMBER'S PAYMENT (I.E., ITS SHARE OF SECTIONS 1-8) IS PAID AT LEAST BY TIME PREVIOUSLY AGREED BETWEEN AGENCY AND MEMBERS TO HANDLE CASH LIQUIDITY SITUATION. COMMENT: MISSION FEELS IT WOULD BE MISTAKE TO ATTEMPT TO LIMIT DG'S FLEXIBILITY BY WORKING OUT BOARD OR GC AGREEMENT ON DETAILS OF BILLING AND PAYMENT PROCEDURE AT THIS POINT; LIMITED OFFICIAL USE

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ACCORDINGLY, MISSION WILL URGE MEMBERS SIMPLY TO DISCUSS BILLING AND PAYMENT SCHEDULE INDIVIDUALLY AND PRIVATELY WITH DG. END COMMENT.

5. SEVEN LDC PERMREPS MET ON SEPTEMBER 5 AT CALL OF INDONESIAN AMBASSADOR. ACCORDING TO REPORTS REACHING MISSION, ALL PRESENT ACUTELY UNHAPPY ABOUT BUDGETARY SITUATION, BUT AGREEMENT STOPPED THERE. SOME LDC'S SEEM PREPARED TO ADMIT PRIVATELY (ALBEIT

PERHAPS NOT FOR RECORD) THAT AGENCY MUST HAVE MONEY THROUGH NO FAULT OF ITS OWN, AND WILL PROBABLY ACQUIESCE (WITH UNHAPPY STATEMENT) IN ACCEPTING ABOVE ACTION. SOME EVEN ADVANCED IDEA THAT COUNTRIES WHICH REVALUED AGAINST DOLLAR AND MADE PROFIT THEREBY SHOULD COMPENSATE AGENCY TO EXTENT OF PROFIT TO MITIGATE BURDEN ON OTHER MEMBERS (COMMENT: MISSION PROPOSES TO RELAX AND LET FRG REPLY TO THIS IDEA END COMMENT). BUT WHILE THERE WAS APPARENTLY SOME GENERAL DISCUSSION OF TECHNICAL ASSISTANCE IN THIS CONTEXT, IT APPEARS THAT NO COHERENT MOVE IS YET AFOOT AMONG LDCS TO EITHER SERIOUSLY ATTEMPT BLOCK INCREASES APPROPRIATION OR TO TRY TO EXTRACT PRICE FROM DEVELOPED COUNTRIES FOR THEIR ACQUIESCENCE, IN FORM OF IMMEDIATE INCREASE IN TARGET FOR VOLUNTARY CONTRIBUTIONS.

6. SUBSEQUENT TO THIS, MISSION CALLED MEETING OF CURRENT MAJOR WESTERN DEVELOPED MEMBERS OF BOARD (UK, FRANCE, FRG, CANADA, SOUTH AFRICA, JAPAN, AUSTRALIA HAD NO OFFICERS IN TOWN TO ATTEND) TO BRIEF ON ABOVE

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AND DISCUSS SITUATION. NO RPT NO MEMBER PRESENT CHALLENGED REQUIREMENT FOR ADDITION OR VOICED INTENT TO OBJECT TO AMOUNT. BULK OF DISCUSSION REVOLVED AROUND POSSIBILITY THAT LDC'S MIGHT REVOLT AND TRY TO BLOCK INCREASE, AND TACTICS TO ADOPT IF THEY DID. DE-

SPITE MISSION REPORT OF RESULTS OF LDC MEETING, SOME OTHERS, ESPECIALLY UK AND FRG (WHOSE RESREP WILL CHAIR GC PT&B COMMITTEE), WERE PESSIMISTIC, POINTING OUT THAT GC IS FIRST MAJOR UN-SYSTEM BUDGETARY ACTION SUBSEQUENT TO LAST DEVALUATION AND FEARING THAT EVEN IF RECOMMENDATION GOT THROUGH BOARD, IT WOULD FACE TROUBLE IN GC FOR THIS REASON. THEY URGED THAT ALL DEVELOPED COUNTRIES ATTEMPT PRE-EMPT, OR AT LEAST MITIGATE, SUCH POSSIBLE TROUBLE BY DEMONSTRATING MAXIMUM FLEXIBILITY THROUGH REFERENCE IN GENERAL DEBATE STATEMENTS TO (A) INTENT TO RESPOND TO DG'S APPEAL BY INCREASING CASH CONTRIBUTIONS OVER ASSESSED BASE RATE SHARE, (B) INTENT TO INCREASE CONTRIBUTIONS IN KIND, AND (C) WILLINGNESS TO INCREASE TARGET FOR 1975 WHEN A&B COMMITTEE AND JUNE BOARD MEET ON THIS SUBJECT NEXT SPRING. ALL PRESENT AGREED WITH THIS APPROACH, BUT US ALSO POINTED OUT THAT THIS SHOULD BE DONE TO MAXIMUM EXTENT POSSIBLE IN ANY EVENT, AND DEVELOPED COUNTRIES SHOULD GIVE NO EVIDENCE TO LDCS THAT WE REGARDED THIS AS SOME SORT OF "DEAL" IN RETURN FOR APPROVAL OF SECTION 9 APPROPRIATION, SINCE THIS WOULD PROBABLY SERVE ONLY TO RUN UP THE PRICE AND ALLOW MILILIMITED OFFICIAL USE

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TANT LDCS TO FOMENT FURTHER TROUBLE BASED ON READINESS OF DEVELOPED COUNTRIES TO BUY OUT OPPOSITION.

7. COMMENT: BOARD PAPER SHOULD BE OUT SHORTLY, AND MISSION FEELING IS THAT PRIOR SUGGESTIONS OF CHANGE IN CURRENCY OF PAYMENT, SPECIAL ACCOUNTS AND THE LIKE ARE PROBABLY OVERTAKEN BY EVENTS AND WILL NO LONGER BE SERIOUS PROBLEM UNLESS MAJOR CATASTROPHE STRIKES BUDGET IN GC. OUTCOME OF LDC MEETING (WHICH HAD SAME ATTENDANCE AS THAT WHICH PRODUCED SO MUCH TROUBLE ON TARGET AND TA GENERALLY AT JUNE BOARD) LEADS US TO FURTHER HOPE THAT WHILE BOARD RECORD WILL REFLECT CONSIDERABLE GRUMBLING AND READINESS TO BLAME DEVELOPED WORLD AND US IN PARTICULAR, THIS SHOULD NOT COME TO OPEN LDC REVOLT WHICH COULD ENDANGER BOARD RECOMMENDATION TO GC. MISSION ASSUMES THAT SOVIETS WILL OPPOSE IN ANY EVENT, AND MAY ATTEMPT RESURRECT CHANGE IN CURRENCY OF PAYMENT AS ALTERNATIVE, BUT WE FEEL THAT THIS NOT RPT NOT LIKELY TO GATHER MUCH HEADWAY IN ABSENCE OF SPECIFIC PROPOSAL OF THIS ALTERNATIVE BY DG.

8. GREATEST DANGER WILL COME IN GC, AND EVEN THERE MISSION FEELING IS THAT UNLESS LDC MEMBERS OF BOARD DECIDE TO LEAD REVOLT IT UNLIKELY THAT THERE IS SERIOUS DANGER THAT BUDGET WILL BE OVERTURNED THIS YEAR. RECORD IN COMMITTEE AND PLENARY WILL BE EXTREMELY MESSY, HOWEVER, AND OUTSIDE CHANCE REMAINS THAT SOME LDCS, ESPECIALLY THOSE WHO MAY COME WITH BLANKET FONOFF INSTRUCTIONS IN LIEU OF USUAL ATOMIC ENERGY AUTHORITY BRIEFS OR THOSE VIENNA PERMREPS KNOWN FROM BEHAVIOR IN UNIDO TO BE INVETERATE TROUBLEMAKERS, MAY ATTEMPT TO EITHER BLOCK BUDGET OR REOPEN LEVEL OF TARGET AS CONDITION OF APPROVING IT, POSSIBLY GOING TO UNUSUAL EXTERME OF VOTING ON BUDGET WITH ATTENDANT DANGER OF FIRST OVERT NORTH-SOUTH

CONFRONTATION IN AGENCY. MISSION WILL REPORT IF ANY SIGNS OF THIS EMERGE, BUT WOULD CAUTION THAT IT UNLIKELY TO SHOW UP, IN ABSENCE LEADERSHIP FROM LDCS ON BOARD, UNTIL GC ACTUALLY CONVENES. WHILE OUR FEELING REMAINS THAT WE SHOULD STONEWALL ANY ATTEMPT TO REOPEN TARGET FOR 1974 AT THIS STAGE, AND NOT RPT NOT ATTEMPT TO MAKE DEAL IN FORM OF INCREASED CONTRIBUTIONS FOR TA IN RETURN FOR PASSAGE OF REGULAR BUDGET, WHICH WOULD BE TERRIBLE PRECEDENT, NEVERTHELESS, IT WOULD BE EXTREMELY HELPFUL IF ALL DONORS, INCLUDING US, COULD MAKE MAXIMUM EFFORT TO PUBLICIZE INTENT TO INCREASE CONTRIBUTIONS FOR 1974 OR TARGET FOR 1975 DURING INITIAL STATEMENTS IN GENERAL DEBATE.

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9. ACTION REQUESTED: (A) REQUEST INSTRUCTIONS FOR AGENDA ITEM AT PRE-GC BOARD MEETING TO SUPPORT (AND VOTE FOR IF NECESSARY) AMENDMENT TO RECOMMENDED BUDGET INCREASING APPROPRIATION BY ADDITION OF SUBSECTION (B) TO SECTION 9 IN AMOUNT OF \$2.5-MILLION.

(B) REQUEST AUTHORIZATION TO REPEAT, PER REF C, THAT US ENDORSES PRINCIPAL THAT TARGET FOR 1975 SHOULD BE INCREASED NEXT SPRING IN AMOUNT TO BE DECIDED AT THAT TIME.

(C) RECOMMEND THAT US GENERAL DEBATE STATEMENT MAKE OVERT STATEMENT OF SAME PRINCIPAL, AND SPECIFY TO MAXIMUM POSSIBLE EXTENT INTENT OF USG TO PROVIDE VOLUNTARY CONTRIBUTIONS FOR TA IN 1974. PORTER

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